

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RECEIVED

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PUBLIC SERVICE
COMMISSION

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

1. **AG Request:**

Please reference the Response to OAG 1-1. Provide the information requested without requiring the Attorney General to extrapolate the answer.

Response:

As described in detail in our Response to Staff #7 and #8, the actual cost of power Alcan paid to Big Rivers/Kenergy for the years 2005,2006 and 2007 was as follows (in \$/MWh):

2005	27.50
2006	29.13
2007	35.29

As shown on Page 4 of the Big Rivers' Unwind Model (Errata version filed January 31, 2008), the anticipated annual cost is shown below (in \$/MWh). Please see our response to OAG Supplemental 36 for a breakdown of the cost elements.

2008H2	34.82
2009	34.94
2010	37.69
2011	42.54
2012	43.90
2013	44.56
2014	44.75
2015	47.34
2016	47.42
2017	52.22
2018	48.61
2019	52.37
2020	51.61
2021	53.73
2022	53.05
2023	55.05

Witness Responsible: H.W. Fayne

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455**

**RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY**

2. **AG Request:**

Please reference the Response to OAG 1-4. Provide the information requested without requiring the Attorney General to extrapolate the answer.

Response:

As described in detail in our Response to Staff #7 and #8, the actual cost of power Century paid to Big Rivers/Kenergy for the years 2005,2006 and 2007 was as follows (in \$/MWh):

2005	24.51
2006	31.68
2007	33.64

As shown on Page 4 of the Big Rivers' Unwind Model (Errata version filed January 31, 2008), the anticipated annual cost is shown below (in \$/MWh). Please see our response to OAG Supplemental 36 for a breakdown of the cost elements.

2008H2	34.82
2009	34.94
2010	37.69
2011	42.54
2012	43.90
2013	44.56
2014	44.75
2015	47.34
2016	47.42
2017	52.22
2018	48.61
2019	52.37
2020	51.61
2021	53.73
2022	53.05
2023	55.05

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

3. **AG Request**

Please reference the Response to OAG 1-9. When is the determination anticipated to be made?

Response:

Contract approval is scheduled to go to the Rio Tinto Alcan investment committee in late March. A presentation regarding the contract approval was made to the Rio Tinto Alcan President yesterday. At this point, we do not have any reason to believe that management will not accept the contract.

Witness Responsible: Allan Eyre

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455**

**RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY**

4. **AG Request:**

Please reference the Response to OAG 1-3 at page 3 of the Stone Webster report which states that "the three most recent catastrophic forced outages might well not have been prevented by appropriate maintenance and improved operating procedures." Do the smelters interpret this to mean that industry standards were not followed? If they do not, how do they interpret the statement?

Response:

Although the Stone & Webster consultants have identified several specific concerns, in general they have indicated that the Big Rivers system is in reasonable condition, and capable of performing on a reliable basis, consistent with industry standards.

Specifically, on page 3 of the report, Stone & Webster consultants conclude that "the present situation is encouraging since Big Rivers is considering a comprehensive program to assess the condition of the equipment, implement the capital projects needed to insure reliable operation and provide on site training. It is reasonable to assume with appropriate predictive and preventative maintenance the following:

- The physical condition of the equipment is suitable for continued efficient and reliable operation.
- There us no current indication that any single component could be the cause of a sudden and lengthy outage.
- The projected plan for major maintenance and capital expenditure projects is appropriate when compared to the long-term needs usually associated with facilities of this size and vintage.
- The process in place for outage and upgrade project planning is based on previous experience and use of outside expertise and inspection services."

The Smelters are particularly concerned about the reliability of the system and the cost that must be incurred to ensure that reliability. Therefore, the Smelters do have concerns about the issues raised in the Stone & Webster report. However, it is important to note that the report was prepared in May 2007, based on data that was available at that time. Since then, Big Rivers' management has been working closely with WKE and has refined the work plan considerably to address many of the concerns noted in the report in a manner that appears to be more focused and manageable. Moreover, the Smelters expect that the specific issues will be addressed in a comprehensive and constructive manner when the Coordinating Committee begins reviewing the operating and capital budgets and plans.

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455**

**RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY**

In short, the Smelters have used the Stone & Webster report as a mechanism to identify areas that require focus, but intend to rely on the Big Rivers planning and budgeting process as the forum to determine which issues are significant and what remediation may be required.

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

5. **AG Request:**

Please reference the Response to OAG 1-3 at page 4. Do the smelters contest the statement that "the current Big Rivers work plan would be difficult to implement over the next five year period?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

6. **AG Request:**

Please reference the Response to OAG 1-3 at page 4. Are the smelters concerned with the statement that "plant staff indicated that there was uncertainty whether the unit would be operational beyond 2008?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

7. **AG Request:**

Please reference the Response to OAG 1-3 at page 5. Are the smelters concerned with the condition of the stator at Reid? (Specifically, the stator is 40 years old and the "nominal age for a rewind in these machines is 35 years with virtually all machines rewound by 40 years of service.") If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

8. **AG Request:**

Please reference the Response to OAG 1-3 at page 5. Are the smelters concerned with the condition of the stators at Henderson? (Specifically, the stators are over 30 years old and the "nominal age for a rewind in these machines is 35 years with virtually all machines rewound by 40 years of service.") If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

9. **AG Request:**

Please reference the Response to OAG 1-3 at pages 5 and 6. Are the smelters concerned with the condition of the stator at Green? (Specifically, the stator is over 25 years old and the "historical rewind data for these machines shows that 94% require a rewind by 30 years of service." Moreover, "GE recommended in 2003 that the stator be rewound.") If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

10. **AG Request:**

AG Please reference the Response to OAG 1-3 at page 6. Are the smelters concerned with the condition of the Unit 2 generator's retaining rings on the rotor? (Specifically, the report states that "the problems with retaining rings of this material are well known. This includes stress corrosion cracking that can result in catastrophic failure of the generator and sustained outage for repair.") If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

11. **AG Request:**

Please reference the Response to OAG 1-3 at pages 6 and 7. Are the smelters concerned with the condition of the stator at Colman? (Specifically, the stators are over 35 years old and the "average age for a rewind is 35 years old with approximately 84% of all generators are rewound by the time they are 40 years old.") If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

12. **AG Request:**

Please reference the Response to OAG 1-3 at page 7. Are the smelters concerned with the condition of the Coleman startup transformer being "in a Category 4 status - the worst rating possible?" Are the smelters aware that the category means that the unit is at risk for a catastrophic failure? If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

13. **AG Request:**

Please reference the Response to OAG 1-3 at pages 7 and 8. Are the smelters concerned with the condition of the retaining rings at Wilson? (Specifically, the report states that "the problems with retaining rings of this material are well known. This includes stress corrosion cracking that can result in catastrophic failure of the generator and sustained outage for repair.") If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

14. **AG Request:**

Please reference the Response to OAG 1-3 at page 9 of the Stone Webster report. Do the smelters share the staffing concerns laid out in the report, specifically over-staffing, too many job classifications, and "fairly high percentage of inexperienced workers? If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

15. **AG Request:**

Please reference the Response to OAG 1-3 at page 12 of the Stone Webster report. Do the smelters share the report's concerns regarding the lack of inspections of the high temperature headers? If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

16. **AG Request:**

Please reference the Response to OAG 1-3 at page 13 of the Stone Webster report. Do the smelters share the report's concerns regarding the need to shorten the time between major outages from an 8-year frequency to a five to six year interval? If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

17. **AG Request:**

Please reference the Response to OAG 1-3 at page 15. Are the smelters concerned with the statement that "it is questionable whether the long term plans for operating this [Reid Unit 1] unit will extend past 2008?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

18. Please reference the Response to OAG 1-3 at page 15. Are the smelters concerned with the statement that "major maintenance continues to be performed to reserve unit reliability?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

19. **AG Request:**

Please reference the Response to OAG 1-3 at page 15. Are the smelters concerned with the statement that "the physical condition of the boiler lagging and presumably the underlying insulation has extensive deteriorated?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

20. **AG Request:**

Please reference the Response to OAG 1-3 at page 16. Are the smelters concerned with the statement that "major maintenance and capital projects are performed to preserve init [Henderson] reliability and to be proactive in addressing environmental issues?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

21. **AG Request:**

Please reference the Response to OAG 1-3 at page 17. Are the smelters concerned with the statement that "long term ash system capacity and disposal is considered a limiting factor to continued plant operation?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

22. **AG Request:**

Please reference the Response to OAG 1-3 at page 21. Are the smelters concerned with the statement that "the equipment [station electrical systems] is nearly 35 years old and the plant may experience an inability to maintain it in operating condition due to obsolescence and scarcity of replacement parts?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

23. **AG Request:**

Please reference the Response to OAG 1-3 at page 28. Are the smelters concerned with the statement that "the Green units were not reported to be full compliant with industry turbine water induction guidelines?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

24. **AG Request:**

Please reference the Response to OAG 1-3 at page 31. Are the smelters concerned with the statement that "these units have been plagued with tube failures that are considered responsible for approximately 40% of the forced outages?" If not why, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

25. **AG Request:**

Please reference the Response to OAG 1-3 at page 31. Are the smelters concerned with the statement that "major maintenance and capital projects are to preserve unit reliability and to be proactive in addressing environmental issues?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

26. **AG Request:**

Please reference the Response to OAG 1-3 at page 39. Are the smelters concerned with the statement that "major maintenance and capital projects are to preserve unit reliability and to be proactive in addressing environmental issues?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

27. **AG Request:**

Please reference the Response to OAG 1-3 at page 42. Are the smelters concerned with the statement that "a review of the electrical equipment also questions the effectiveness of the maintenance programs?" If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

28. **AG Request:**

Please reference the Response to OAG 1-3 at page 45. Are the smelters concerned with the statement that "based on the recent failures, the general condition of the plants and the overall procedural practices at the facilities, there are concerns regarding the ability of the units to meet the projected reliability goals?" If not why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

29. **AG Request:**

Please reference the Response to OAG 1-3 at page 45. Are the smelters concerned with the following statements? "The Big Rivers performance goals will be difficult to achieve and there is a point that spending more money will not improve the key performance indicators. It is recommended that BI Rivers maintain caution so as not to overspend in trying to achieve performance that will be difficult to achieve given the age of the facilities."

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

30. **AG Request:**

Please reference the Response to OAG 1-3 at pages 51, 53, 57, and 61. Do the smelters know whether Big Rivers plans on implementing the proposed projects or capital expenditures as recommended in the report in order to keep the station operating reliably?

- a. If the smelters are not aware, do they intend on discussing the issue with Big Rivers?
- b. If the smelters have been apprised Big Rivers and the company has stated that the changes will not be implemented, does this create concern for Big Rivers?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

31. **AG Request:**

Please reference the Response to OAG 1-3 at pages 72 and 73. Does it concern the smelters that Big Rivers was not able to produce details of the company's air compliance plans to Stone & Webster Consultants?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

32. **AG Request:**

Please reference the Response to OAG 1-3 at pages 72 and 73. Do the smelters plan on insisting or otherwise working with Big Rivers to make sure the identified areas of environmental concern are addressed? If not, why not?

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

33. **AG Request:**

Please reference the Response to OAG 1-7 and OAG 1-8 at page 8. Is it not true that the "Smelters' consent is required to complete the unwind?"

Response:

Under Section 10.3(z) of the Termination Agreement dated March 26, 2007 between Big Rivers and the E.ON parties, execution of satisfactory smelter contracts is a condition, unless waived, of Big Rivers' obligation to close.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

34. **AG Request:**

Please reference the Response to OAG 1-8 at page 16. Please provide details concerning the bullet "most significant risk is the loss of generating capacity which could have an impact on purchased power costs."

Response:

Please see our Response to OAG Supplemental 4.

Witness Responsible: H.W. Fayne

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2007-00455

RESPONSES TO
ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY

35. **AG Request:**

Please reference the Response to Staff #7 and Staff #8. The indicated total \$/MWH do not appear to reconcile to the underlying data provided in most cases. Please provide corrected data and tables to the extent necessary for the provision of accurate, reconcilable data. Explain the reasons for any underlying changes.

Response:

The \$/MWH reflected on the schedules provided in response to Staff #7 and Staff #8 are based upon actual billing data. As noted in footnote 3 on each of the schedules, retails fees paid to Kenergy and all prior period adjustments have been excluded to ensure that the results are comparable to the Smelter rates reflected in the Unwind models.

The Smelters confirm that the data provided is accurate.

Witness Responsible: H.W. Fayne

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ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
TO ALCAN PRIMARY PRODUCTS CORPORATION AND
CENTURY ALUMINUM OF KENTUCKY**

36. **AG Request:**

Provide documents which show annual projections of rates anticipated for power under the Smelter agreements for the following line items:

- a. Large Industrial rate;
- b. Additional smelter charge (e.g. \$25/MWh);
- c. Tier Adjustment
- d. FAC
- e. Environmental Surcharge
- f. PPA
- g. Surcharge
- h. Rebate

Response:

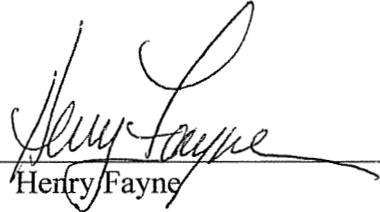
Please refer to Page 4 of 38, lines 87 through 97 of the Unwind Model filed by Big Rivers on January 31, 2008 (Errata version).

- line 88: Base Rate, which is the sum of the Large Industrial Rate plus \$25/MWh.
- line 89 Tier Adjustment
- line 91 FAC
- line 92 PPA
- line 93 Environmental Surcharge
- lines 94 & 95 Surcharge
- line 96 Rebate
- line 97 Total rate

Witness Responsible: H.W. Fayne

VERIFICATION

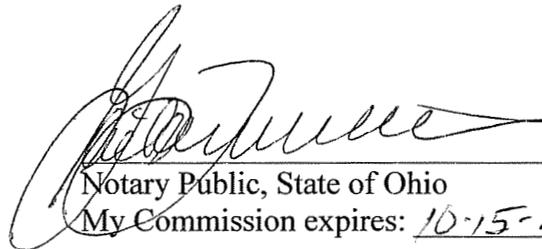
I verify, state and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief.


Henry Fayne

State of Ohio
Franklin County

Subscribed and sworn to before me by Henry Fayne on this the 3 day of March, 2008.




Notary Public, State of Ohio
My Commission expires: 10-15-11